

# CHILD CARE CENTER FEASIBILITY STUDY: CITY OF SAN FRANCISCO



**April 10th, 2015**



**Public Building Services  
Pacific Rim, Region 9  
50 United Nations Plaza  
San Francisco, CA 94102-4912**

# TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>II. PURPOSE .....</b>	<b>6</b>
<b>III. BACKGROUND.....</b>	<b>7</b>
A. OVERVIEW OF CHILD CARE PROGRAM – SAN FRANCISCO .....	7
B. SAN FRANCISCO HISTORICAL DATA .....	9
1. DEMOGRAPHICS OF FEDERAL GOVERNMENT EMPLOYEES .....	9
2. CENTER LOCATIONS & OPERATIONS .....	12
3. ENROLLMENT & CODE COMPLIANCE (40 U.S. Code § 590 - <i>Tribble Amendment</i> ) .....	13
4. TUITION AND AFFORDABILITY .....	21
<b>IV. STUDY METHODOLOGY .....</b>	<b>26</b>
A. SURVEY EXECUTION.....	26
B. SURVEY RESULTS.....	28
<b>V. REAL ESTATE OPTIONS.....</b>	<b>32</b>
A. FEDERAL GOVERNMENT OWNED INVENTORY IN SAN FRANCISCO.....	32
B. COMMERCIAL REAL ESTATE MARKET RESEARCH.....	32
C. MARKET RESPONSE .....	33
D. EXISTING LEASE OPTIONS.....	33
<b>VI. CONSTRUCTION COST .....</b>	<b>34</b>
<b>VII. CONCLUSIONS AND FOLLOW-ON ACTIONS .....</b>	<b>35</b>
A. CONCLUSIONS.....	35
B. FOLLOW-ON ACTIONS.....	35

# I. EXECUTIVE SUMMARY

## ***Purpose of this study***

The purpose of this Feasibility Study is to support General Services Administration (GSA) Region 9 in its mission to guide, assist and support other Federal Government Agencies as those agencies participate in the operation of child care centers in accordance with Federal policy. For the purposes of this study, the area of consideration is downtown San Francisco.

The information gathered and presented in this study addresses the following questions:

- Do Federal Government employees based in downtown San Francisco have a need for Federal Government sponsored child care services,
- If so, can the market place fill the need,
- Is there Federal Government Agency support for fulfilling the need,
- Is there appropriate real estate available to house a center, if needed, and
- Can an independent operation work/can a provider be found?

## ***Background***

President Obama, in his 2015 State of the Union Address addressed the importance of availability of quality, affordable child care to all. Specifically, the President stated:

*“In today’s economy, when having both parents in the workforce is an economic necessity for many families, we need affordable, high-quality childcare more than ever. It’s not a nice-to-have -- it’s a must-have. So it’s time we stop treating childcare as a side issue, or as a women’s issue, and treat it like the national economic priority that it is for all of us.”*

GSA has been a leader for the Federal Government in providing child care services since the enactment of 40 USC Section 590, the Tribble Amendment of 1992. The Tribble Amendment authorizes GSA through its real estate licensing agreements to, “... provide guidance, assistance, and oversight to Federal Government Agencies for the development of child care centers to provide economical and effective child care for federal workers.” It also limits the enrollment of dependents of non-Federal Government employees, thus enabling preference to those of federal workers.

In accordance with this authorization, GSA began oversight of the Healthy Environments (HE) child care center (located at 95 Hawthorne St.) in 1992 in support of the center’s original and current Federal Government Agency sponsor, the Environmental Protection Agency (EPA). HE’s historical total enrollment was typically under although near the 90-child capacity, but compliance with the Tribble Amendment was achieved only twice in 20 years.

Kids By The Bay (KBTB, located at 90 7<sup>th</sup> St.) opened in 2007 and thrives in all aspects, including compliance with the Tribble Amendment.

Both centers are operated by for-profit businesses under contract to 501(c)(3) tax-exempt non-profit Boards. Tuition costs for both centers historically have been consistent with market prices in downtown San Francisco.

### ***Study Methodology and Execution***

In response to continued non-compliance with the Tribble Amendment at HE, GSA Region 9 conducted a survey in 2014 to determine the center-based child care needs of Federal Government employees who work in downtown San Francisco. The methodology and execution of the study followed the guidelines prescribed by GSA's handbook, *Starting a Child Development Center*, and those prescribed by GSA's annual Tenant Satisfaction Survey.

The survey was distributed electronically on November 13, 2014 by GSA's San Francisco Service Center field offices to agencies having GSA Occupancy Agreements in downtown San Francisco, via agency points of contact. Some agencies, such as the Federal Bureau of Investigation (FBI) and the Social Security Administration (SSA), chose not to allow their employees to participate in the survey via electronic media. In an attempt to reach these employees, paper copies of the survey notice with instructions for accessing and responding to the survey, were placed conspicuously in all Federal building lobbies. The original deadline for submitting the survey was November 21, 2014, but extended twice, ultimately to December 3, 2014 to enable more response time for employees who received the paper survey.

A total of 466 responses were received. The response rate to the survey was approximately 1/3 of the response rate of Region 9's most recent Tenant Satisfaction Survey and given the narrow topic of the child care survey, the response rate is considered adequate. Key results of the survey are:

- ✓ There is a Federal Government employee market for center-based child care in downtown San Francisco
- ✓ Child care center logistics and commuting are a concern and constraint for many Federal Government employees
- ✓ Cost of child care services is a concern and a constraint for many Federal Government employees

### ***Study Analyses***

In addition to the data obtained from the survey, the study also examined: 1) available real estate in downtown San Francisco, 2) the cost of child care services in downtown San Francisco and 3) income of Federal Government employees.

#### **Real Estate:**

GSA evaluated real estate availability using three methods:

- Assessed existing vacant or soon to be vacant space in Federal buildings,
- Issued a public notice via Federal Business Opportunities for availability of privately owned commercial space, and

- Conducted a search in the electronic databases of CoStar Realty Information, Inc.; e-mail notifications of the Government's need for space were issued.

No Expressions of Interest were received from the publicized advertisement on Federal Business Opportunities but one was received as a result of the CoStar database search. The property has sufficient space but lacks on-site outdoor space for a playground. Although it is located within walking distance of a park at the Civic Center Plaza, characteristics of the neighborhood could be considered unsuitable and render this site impractical.

The database search did not reveal 75 Hawthorne Street as a potential option. However, GSA is in the process of finalizing lease negotiations for Federal Government Agency occupancy in this building, including EPA, the original sponsor of HE. This site has available space for a child care center including an existing playground (the existing playground currently used by HE, next door at 95 Hawthorne St.).

*Cost of center-based child care services:*

According to the annual report on national child care costs prepared by Child Care Aware of America (2014 Parents and the High Cost of Care Report ), California is one of the least affordable states in the nation for child care services. Other sources reveal the average costs for child care services in San Francisco are as follows:

**2014 Average Annual Cost for Full Time Center-based Child Care**

	Infant	4-Year-Old
San Francisco	\$22,800	\$18,000
GSA child care program centers, City of San Francisco	\$24,570	\$17,186

*Income of Federal Government employees:*

Based on data provided by the Bureau of Labor Statistics and tuition data for the two centers overseen by GSA in San Francisco, the effect of the cost of child care services was analyzed against the GS pay scale for San Francisco. Single income Federal Government employees below GS-13 level have little to no disposable income remaining after paying housing costs and tuition for San Francisco-based child care services.

***Conclusions and Follow-on Actions***

*Conclusions:*

- ✓ There is a Federal Government employee demand for center-based child care in downtown San Francisco

- ✓ Child care center logistics and commuting are a concern and constraint for many Federal Government employees
- ✓ Cost of child care services is a concern and a constraint for many Federal Government employees
- ✓ The costs of center-based child care in downtown San Francisco, including those of GSA's San Francisco-based child care centers, are among the highest in the country
- ✓ Single income Federal Government employees below GS-13 level have little to no disposable income remaining after paying housing costs and tuition for San Francisco-based child care services
- ✓ Historical average enrollment at HE of dependents of Federal Government employees, 25 - 30 children, suggests a second center that meets that demand may be viable.
- ✓ 75 Hawthorne Street is a viable location for a second center

*Follow-on Actions:*

- Evaluate Federal Government Agency support of a second center in downtown San Francisco; engage the Federal Executive Board (FEB)
- Evaluate the additional cost to rent per agency if the Community Joint Use model is expanded to include a second center
- Develop and execute a plan to construct a childcare center at 75 Hawthorne St. in accordance with GSA's "Child Development Center Startup Guide"
- GSA Region 9 should establish a more rigorous oversight process of and more rigorous engagement with center Boards and providers

## II. PURPOSE

The purpose of this Feasibility Study is to support General Services Administration (GSA) Region 9 in its mission to guide, assist and oversee other Federal Government Agencies as those agencies participate in the operation of child care centers in accordance with legal authorities. It is intended to enable GSA to address the following questions:

- Do Federal Government employees based in downtown San Francisco have a need for center-based child care services,
- If so, can the market place fill the need,
- Is there Federal Government Agency support for fulfilling the need,
- Is there appropriate real estate available to house a center, if needed, and
- Can an independent operation work/can a provider be found?

### III. BACKGROUND

#### A. OVERVIEW OF CHILD CARE PROGRAM – SAN FRANCISCO

**Tribal Amendment:** In 1992, 40 USC Section 590 (henceforth referred to as The Tribal Amendment) authorized GSA through its real estate licensing agreements to, "... provide guidance, assistance, and oversight to Federal Government Agencies for the development of child care centers to provide economical and effective child care for federal workers." The intent of granting this authority was to enable GSA to provide some support and consistency of the operations of child care centers that are sponsored by Federal Government Agencies. It is to be noted that the program recognizes the need for centers to be economically viable for providers, thus enabling the option of having non-Federal Government employee families use the center too, but only as minority enrollment.

**San Francisco:** There are two centers in San Francisco: Healthy Environments (HE) is located at the 95 Hawthorne Street, and Kids by the Bay (KBTB) is located in the new San Francisco Federal Building at 90 Seventh Street.

##### 95 Hawthorne Street, Healthy Environments:

GSA oversight of Healthy Environments (HE) at 95 Hawthorne Street began in 1992.

The building at 95 Hawthorne Street is leased property (owned and operated by a Lessor) and not owned by the Federal Government. GSA manages the lease for the Federal Government Agencies who occupy space in this building. The Environmental Protection Agency (EPA) currently occupies the greatest amount of space and has the largest number of resident Federal Government employees in that building.

From the onset of HE's existence, the EPA was its Sponsor. As the tenant Federal Government Agency with the assumed largest enrollment in the center of dependent children of Federal Government employees, the EPA historically paid all of the rent for the space the center occupies.

Given the large number of Federal Government employees resident in this building, the HE center was built to accommodate up to 90 children. Since its inception, the center (regardless of the operating provider of which there have been many) typically operated below (albeit at times near capacity) but consistently with the percentage of enrolled dependents of Federal Government employees significantly less than 50% of total enrollment, as required by law.

In 2011, the Lessor and GSA initiated a migration of all tenants of 95 Hawthorne Street to the Lessor's adjacent building at 75 Hawthorne St. (the new lease at 75 Hawthorne St. resulted from a full and open procurement for office space). As part of the planned Agency migration, accommodations for migrating HE also proceeded. Given the fact that enrollment at the center in 95 Hawthorne Street was historically below capacity, never exceeded capacity and was consistently non-compliant with the Tribal Amendment, the new center planned for 75



Hawthorne Street would accommodate, if built, a lesser capacity. In February 2014, EPA changed its position relative to sponsorship of the child care center and asked GSA to remove the plan for the relocation of HE from EPA's requirement.

In March 2014, GSA and EPA alerted Bright Horizons and its Board of Directors (Healthy Environments Daycare Advisory Committee, HEDAC) that EPA would no longer sponsor HE and consequently the center would close prior to the lease termination date of August 1, 2015; consideration of relocating the center from 95 Hawthorne Street to 75 Hawthorne Street had been curtailed. In light of the fact that a Federal Government Agency sponsor was not available for HE, an expansion plan was developed for the Kids By The Bay center located at 90 Seventh Street to accommodate the remaining enrollment from HE of dependents of Federal Government employees. On November 30, 2014, Bright Horizons exercised its right to terminate its license with GSA and issued 90 days' notice to vacate the space occupied by HE.

Although enrollment at HE began to decline when planning for a relocated center stopped, enrollment declined more rapidly when Bright Horizons announced its premature departure from the center. In order to service those families who remained enrolled in HE in spite of recent events, GSA amended its license with Children's Creative Learning Center (CCLC), the operator of Kids By The Bay child care center, thus enabling CCLC to provide continuity of operations of HE until lease termination; at such time, up to 38 Full-time Equivalent children could move to KBTB at 90 7<sup>th</sup> Street.

#### 90 Seventh Street, Kids by the Bay:

Opened in 2007, in the new Federal Building at 90 Seventh Street, Kids by the Bay (KBTB) operates as a building joint use center, and all Federal Government Agency tenants of the building pay the rent to an extent commensurate to their occupancy footprint. The primary tenants are DOL, HHS, and SSA.

KBTB has a capacity of 73 children and has always maintained federal enrollment above the Triple Amendment 50% requirement.

#### Community Joint Use Model:

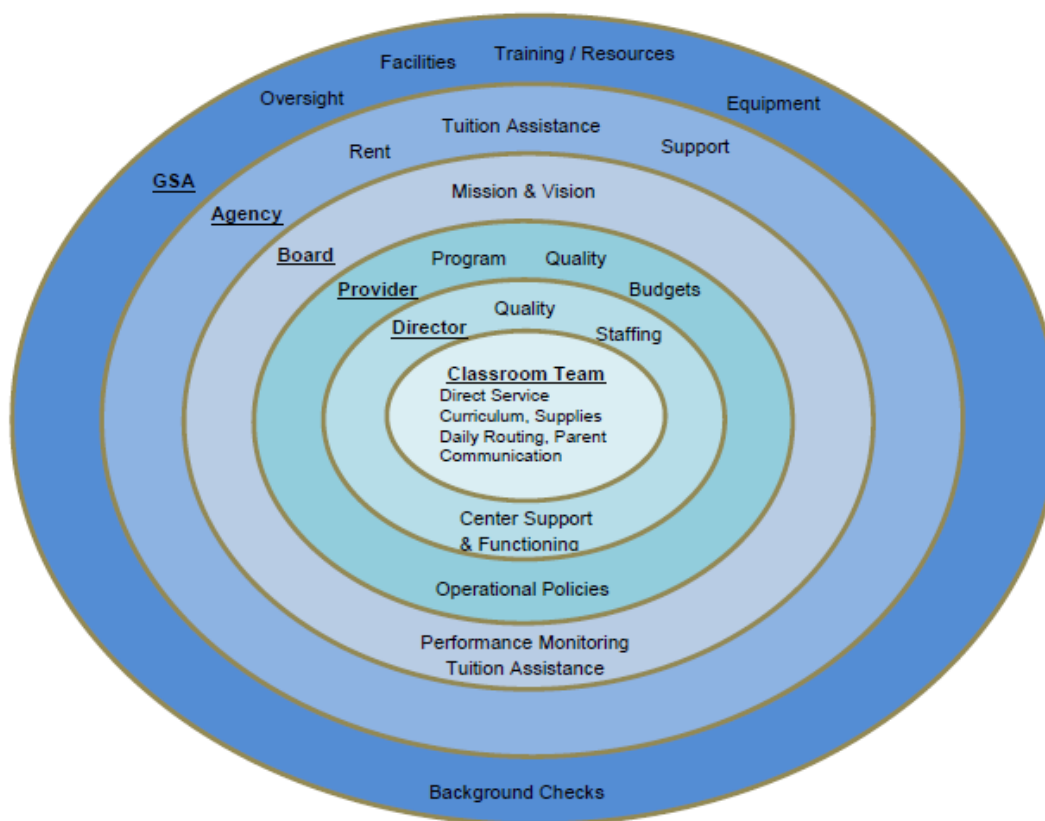
In 2017 GSA Region 9 plans to distribute the government's cost for the Kids By The Bay child care center among all tenant Federal Government Agencies (henceforth referred to as the community joint use model). Federal Management Regulation (FMR), Part 102-85—Pricing Policy for Occupancy in GSA Space, outlines the basis of GSA's pricing policy. The FMR's pricing standards empower GSA to employ joint use charges such as rent for public good amenities, such as child care centers, and distribute them proportionally among the Agencies based on occupancy space whether or not employees of the tenant agencies elect to use the amenities.

It should be noted that GSA is required to give Federal Government Agencies 2-years advance notice of rate adjustments, such as those resulting from implementation of the Community Joint Use Model. The 2017 rates were developed prior to the completion of this study and did not

address the potential of another center coming into operation.

### Roles and Responsibilities:

A graphical representation of the relationships between the parties involved in the child care services program is as follows:



## **B. SAN FRANCISCO HISTORICAL DATA**

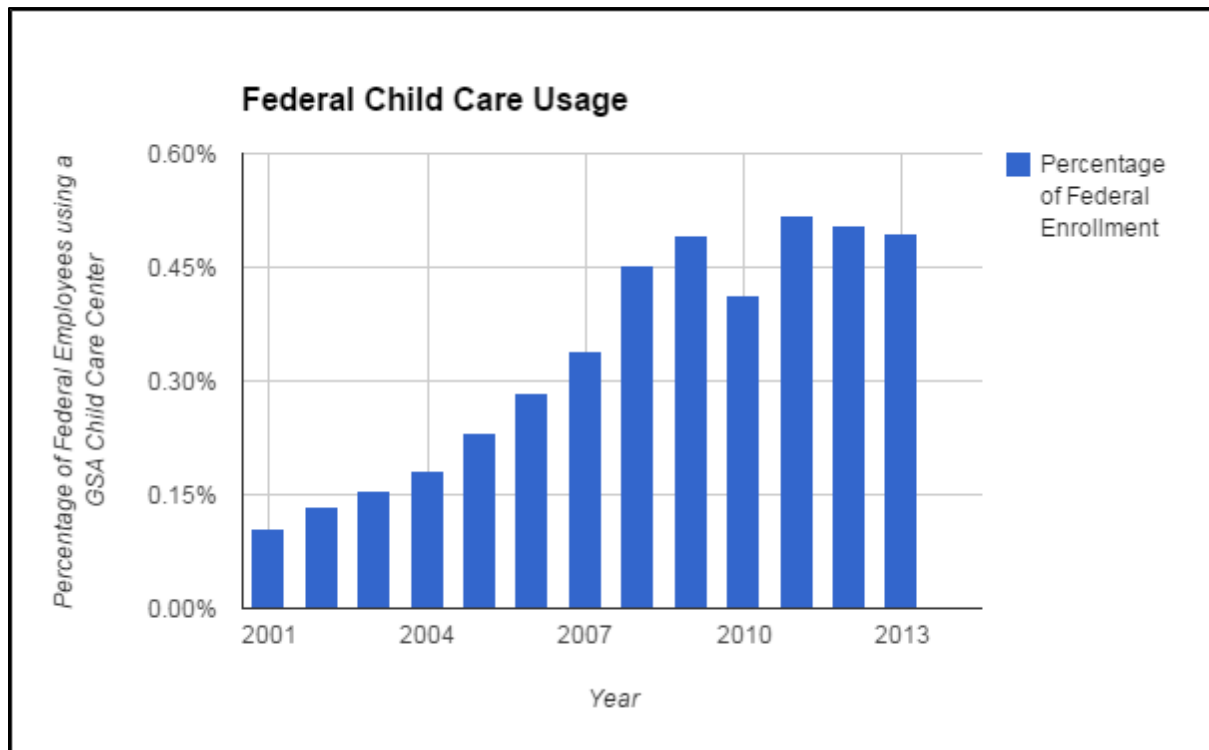
### **1. DEMOGRAPHICS OF FEDERAL GOVERNMENT EMPLOYEES**

In 2013, there were 13,975<sup>1</sup> Federal Government employees working in the City and County of San Francisco. Of those approximately 8100<sup>2</sup> Federal Government employees were housed in 35 GSA-controlled federal buildings and GSA-managed leased buildings in downtown San Francisco. Although the total number of Federal Government employees in San Francisco has decreased from 18,071 in 2001, federal participation in the GSA child care centers increased between 2001 and 2008. Since 2008, utilization growth at the

<sup>1</sup> As estimated by the Department of Labor. The population includes the Veterans Administration, Department of Defense, and other agencies that do not customarily use centers under GSA oversight.

<sup>2</sup> As estimated by the GSA Tenant Satisfaction Survey and GSA Real Estate transactions in 2014.

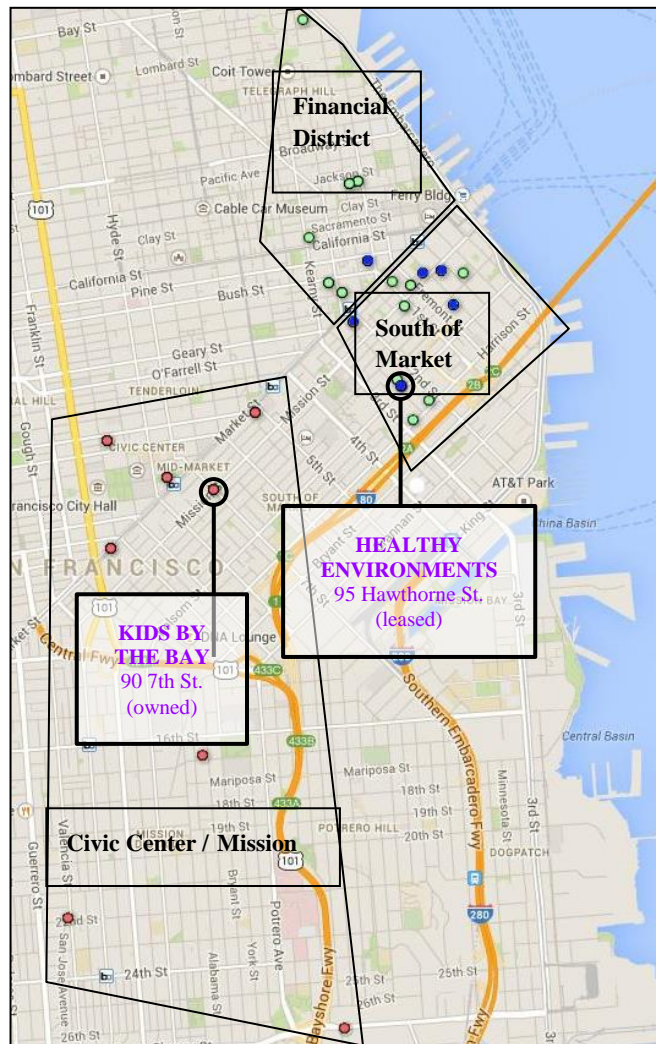
centers stabilized, with an average of 0.48% of total San Francisco Federal Government employees using a GSA child care program.



Of the 13,975 Federal Government employees, 8,100 Federal Government employees are housed in 6 federal buildings and 29 other buildings whose leases are managed by GSA on Agency behalf. The majority are in 3 neighborhoods; Civic Center, Financial District, and SOMA. The largest population of Federal Government employees is in the Civic Center, where 3 large Federal Government-owned buildings exist. The Federal Government employee population in the Civic Center will increase as 14 agencies with approximately 500 employees are programmed to move into the Federal Government-owned buildings in this neighborhood, leaving approximately 2,400 Federal Government employees in the Financial District and SOMA.

The following table and graphic summarize the current and near-term demographics of Federal Government employees in the Civic Center, Financial District, and SOMA neighborhoods, relative to the locations of Healthy Environments and Kids By The Bay child care centers:

		Bldgs	Agencies	OAs	USF	FTE
●	FiDi	7	15	33	559K	1,100
●	SOMA	10	13	15	468K	1,800
●	Civic Ctr / Mission	9	77	128	1.67M	4,700
●	Moving to Civic Ctr	6	14	14	191K	500



## 2. CENTER LOCATIONS & OPERATIONS

**Healthy Environments (HE):** This center is located at 95 Hawthorne Street in San Francisco, in a building also occupied in part by the US Environmental Protection Agency (EPA). GSA's oversight of this center began in 1992. The history of providers operating the center is as follows:

- i. Cross Cultural Family Center 1993-1995,
- ii. Resources for Child Care Management / Corporate Family Solutions / Bright Horizons Family Solutions 1995-1999,
- iii. Easter Seals from 1999-2012,
- iv. Bright Horizons from 2012- 02/2015, and
- v. Children's Creative Learning Center (CCLC) who assumed operations 02/2015 and will continue to do so through lease termination on 08/01/2015.

Throughout its existence HE maintained an average attendance of 78 children. Although total enrollment has been consistently good, the number of enrolled dependents of Federal Government employee families typically was below the mandated level, regardless of the company providing the child care services.

This center provides education and care for children of all abilities. It serves children ages three months to five years of age. The child care provider occupies federally managed space by license issued by GSA. The contract to provide the child care services is executed not by GSA, but by the center's board, the Healthy Environments Daycare Advisory Committee (HEDAC), an IRS recognized 501(c)(3) tax-exempt non-profit organization established in 1988. Today, HEDAC is comprised of three board members, none of whom are currently Federal Government Agency employees. It oversees the provision of quality child care services in an educational setting.

Throughout 2014, the center's total enrollment declined from 88 to 44 children, with enrollment composition consistently less than 50% dependents of Federal Government employees. As enrollment declined, Bright Horizons made a business decision to exercise its right to terminate its license with GSA and issued 90-days' notice to vacate the space occupied by HE, effective March 1, 2015. Consequently, and in response to Bright Horizons' business decision, GSA amended its license with Children's Creative Learning Center (CCLC), the operator of Kids By The Bay child care center, thus enabling families enrolled at HE to maintain continuity of on-site child care (although provided by CCLC) until lease termination and center closure.

**Kids by the Bay (KBTB):** This center, opened in 2007, is housed in the San Francisco Federal Building, at 90 Seventh Street. From the day it opened It has been run by Children's Creative Learning Center (CCLC), a for-profit organization, and its operations are overseen by Kids by the Bay Child Development Center Advisory Board, the Board of Directors, also a 501(c)(3) and whose responsibilities are similar to those listed above for Healthy Environments' board, HEDAC. KBTB has a current capacity of 73 children, but is undergoing a facility expansion and, when complete (scheduled for Summer 2015), will

accommodate an additional 38 children. The center serves children two months to five years of age and is a building joint use center primarily serving the San Francisco Federal Building and surrounding neighborhood.

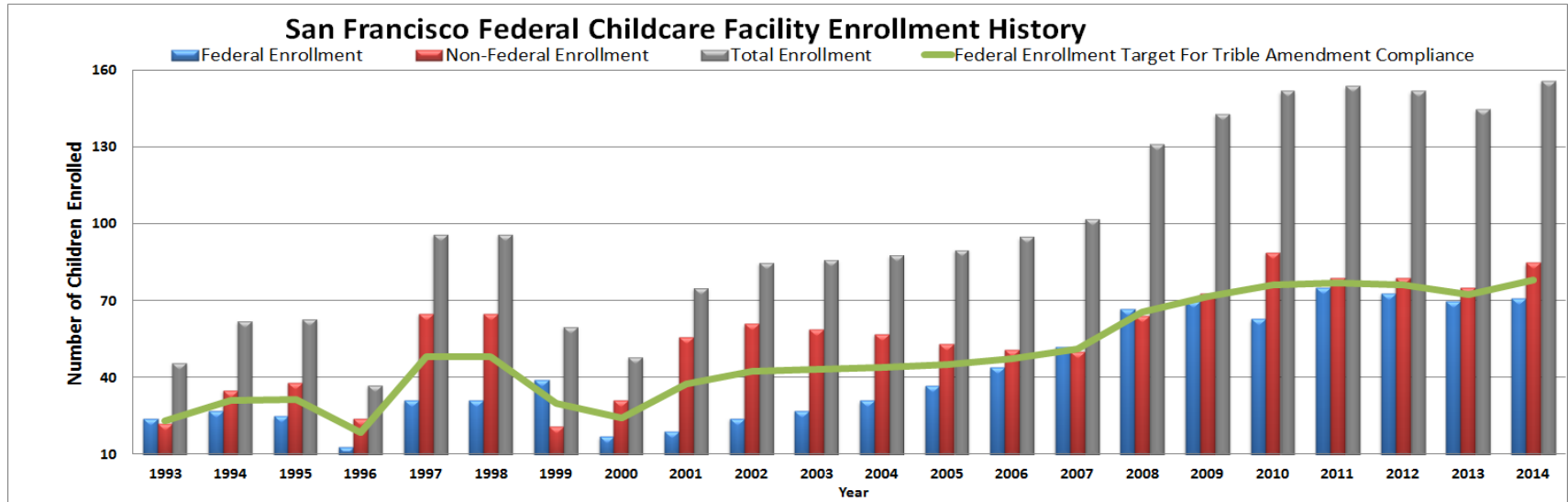
Its primary users are families from the Department of Labor (DOL), Health and Human Services (HHS), and the Social Security Administration (SSA). There is also a strong presence from families from the U.S. Courts who work at the Browning building across the street. It is to be noted that this center has always maintained federal enrollment above the Tribe Amendment required 50%, with a stable total enrollment near capacity and an ongoing waitlist.

### **3. ENROLLMENT & CODE COMPLIANCE (40 U.S. Code § 590 - *Tribe Amendment*)**

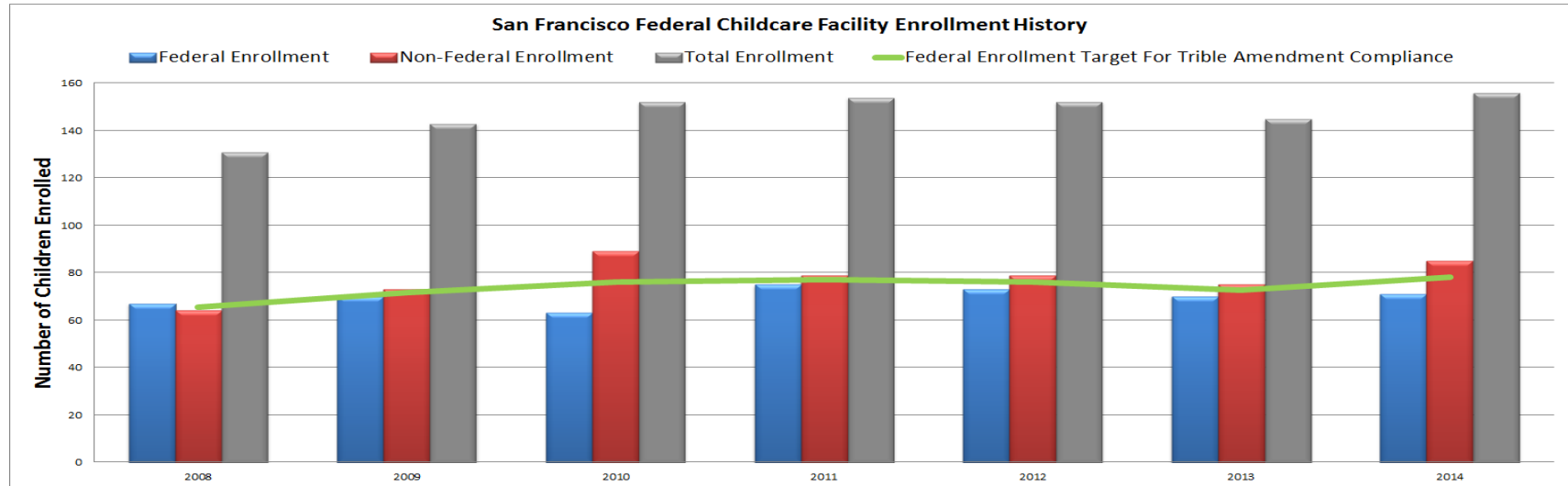
**San Francisco:** GSA Region 9 has a long history of overseeing child care centers. Its program support in downtown San Francisco dates back to 1992 when it provided oversight and guidance to EPA for Healthy Environments. In 2007, a second center opened, Kids By The Bay. Compliance with the Tribe Amendment was a struggle in the early years which requires child care centers in the Federal Child Care Program to maintain a minimum 50% ratio of dependents of Federal Government employees relative to total enrollment. But, once the second center opened, the program proved to be largely sustainable, from a GSA Region 9 perspective.

The following charts depict a graphical representation of the compliance with the Tribe Amendment on a city-wide level, 1993 - 2014.

### Combined Total Enrollment 1993 - 2014<sup>3</sup>



### Combined Total Enrollment 2003 - 2014<sup>3</sup>



<sup>3</sup> Total enrollment refers to the aggregate enrollment including both centers in the City of San Francisco



**Healthy Environments:** As the charts below show, meeting the requirements of the Triple Amendment has always been a challenge at this center regardless of who the provider was and, in spite of the fact that average enrollment in the center has been acceptable and approaching capacity<sup>4</sup> (90 children is the prescribed capacity for this center). The average enrollment for this center from 1993 through 2014 was 78 children with the average enrollment of 30 dependents of Federal Government employees. However, excluding what can be considered initial establishment years from 1993 through 1996, and 2014<sup>5</sup>, when the center enrollment consistently declined, the average enrollment was 84 children and the highest enrollment of dependents of Federal Government employees ranging between 40 and 50. Notwithstanding the predominance of dependents of non-Federal Government employee families, the center appears to have been a thriving business.

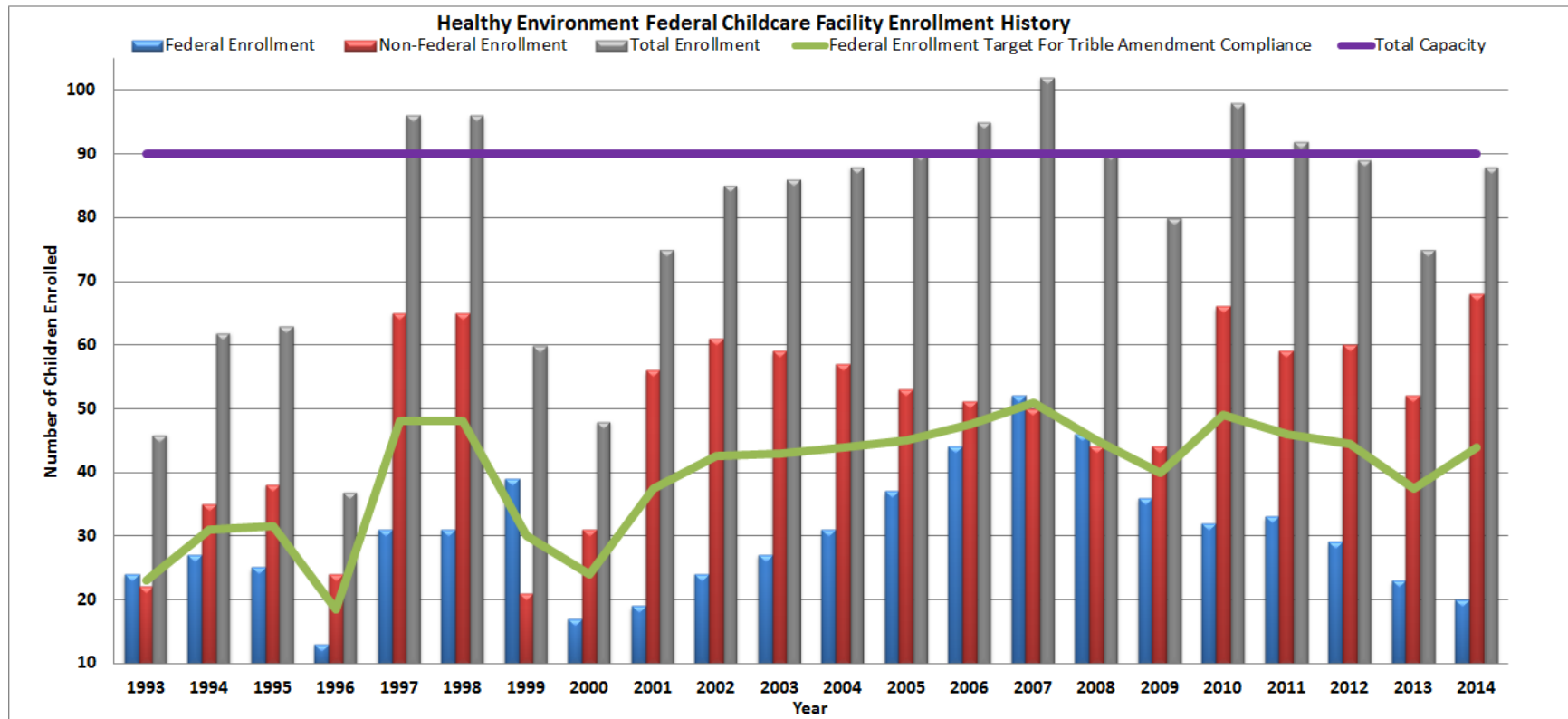
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<sup>4</sup> Capacity is defined as the maximum number of Full-Time Equivalent children. Enrollment can appear to exceed capacity depending on the number of children enrolled part-time.

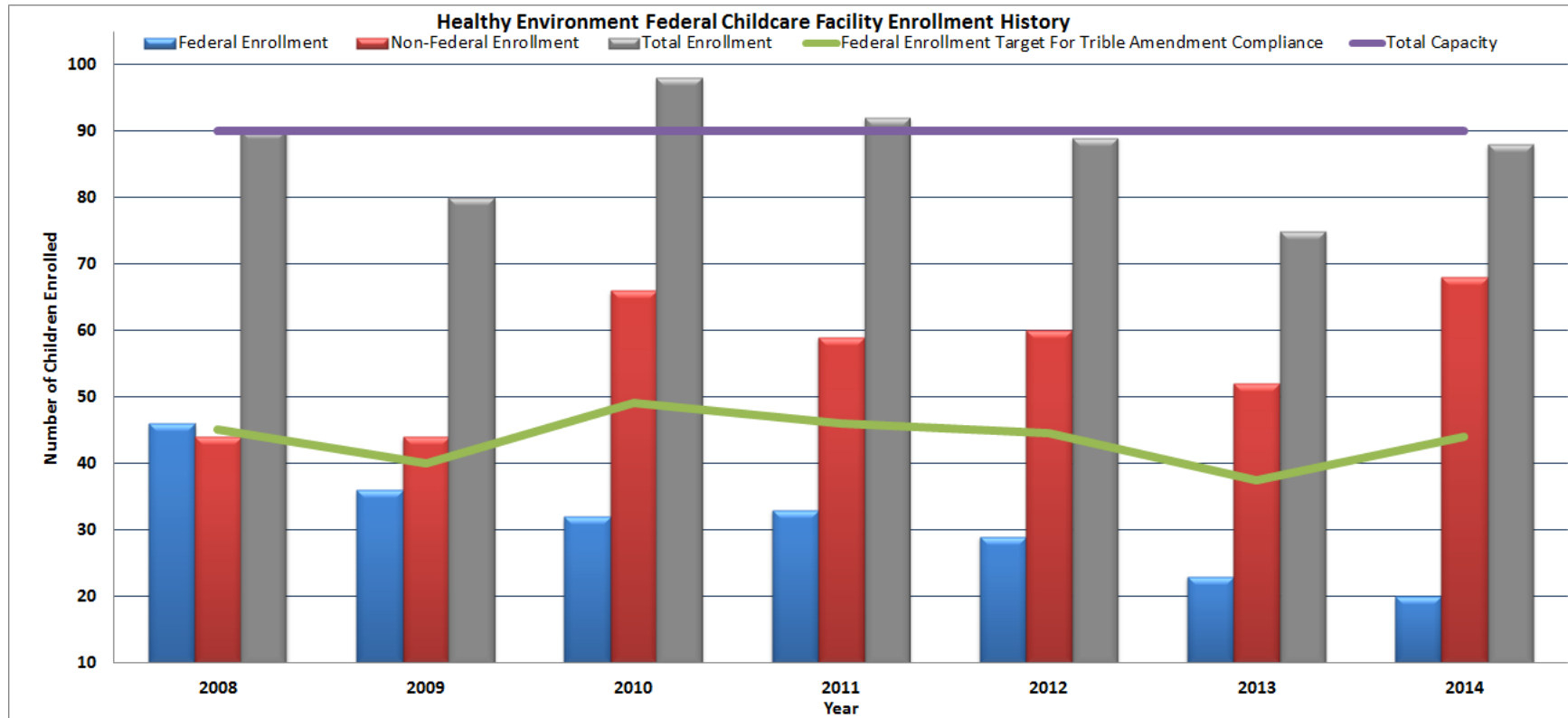
<sup>5</sup> The enrollment data shown for 2014 was obtained from the 2014 survey data obtained from Bright Horizons. As the year progressed, total enrollment declined from 88 in January to 44 in December, and continues to decline into 2015.



## Healthy Environments Total Enrollment 1993 – 2014



## Healthy Environments Total Enrollment 2003 – 2014



Historical waitlist statistics are not rigorously maintained for individual centers by Region 9. However, information provided by Bright Horizons reveals that the waitlist for HE averaged about 140 - 150 children from 2012 through 2014, with Federal Government employee families constituting approximately 20% of the waitlist. An important waitlist fact is that often vacancies by age group and the needs of families on the waitlist do not align. Therefore, the waitlist will typically remain in spite of vacancies in the center. It should be noted however, that the imminent closure of the center and lack of Federal Government Agency sponsorship come August 1, 2015 influenced Bright Horizons' decision to maintain vacancies and not offer space to families on the waitlist.

Current enrollment for HE is as follows (as of January 16, 2015):

35 children enrolled: 10 Federal, 25 non-federal

Department of Justice: 3 children

EPA: 5 children

National Parks Service: 1 child

IRS: 1 child.

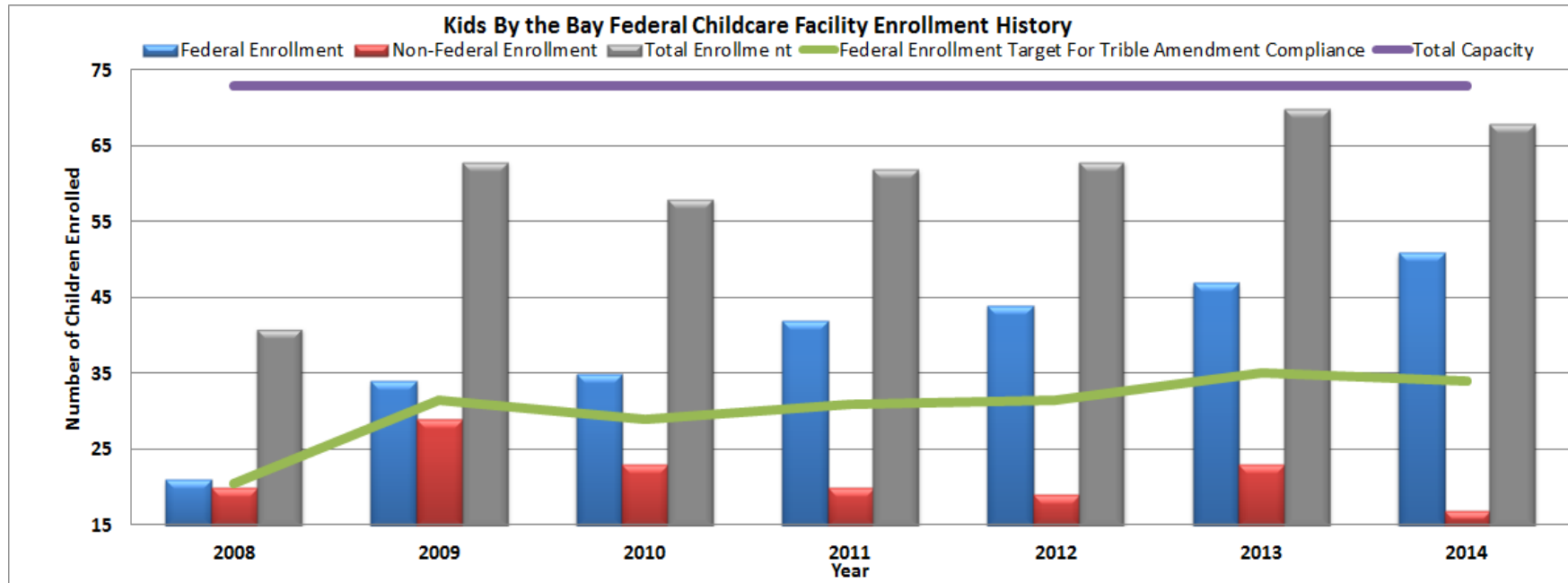
**Kids by the Bay:** A relatively new facility, located within a Federal Government-owned building, and near a large federal workforce population, this center has been successful since inception from all perspectives. The center is much valued by Federal Government employees as a building amenity and it has easily met the Tribble Amendment mandates. Since its opening, enrollment for the center ranged from 41 to 68 total children and 21 to 51 total children of Federal Government employee families. The center continues to maintain a large waitlist of Federal Government employees. Historically, this center has had a waitlist of approximately 80 students with approximately half coming from Federal Government employee families.

In response to the closure of Healthy Environments, GSA was able to execute a contract to expand the existing Kids By the Bay center and thereby accommodate the affected Healthy Environments' families. The opening of the expansion is planned to coincide with the date of lease expiration for 95 Hawthorne Street.

**Kids By The Bay Enrollment (as of January 16, 2015)**

Agency	No. of Children	Agency	No. of Children
71 children enrolled: 58 federal, 13 non-federal			
Department of Justice	6	District Courts of the United States	5
Department of Labor	11	Department of Health and Human Services	1
FBI	5	Department of the Treasury	2
Department of State	1	Centers for Medicare and Medicaid	3
Securities and Exchange Commission	2	US Court of Appeals The Federal Circuit	1
Administration for Children and Families	1	US Attorneys	1
Department of the Army	6	Immigration & Customs Enforcement	3
Department of Homeland Security	2	Department of Veterans Affairs	4
United States Court of Appeals	4		

## Kids By The Bay Total Enrollment 2008 – 2014



#### 4. TUITION AND AFFORDABILITY

For the purposes of this study, information and data (financial and otherwise) were used from:

- Historical GSA Child Care Program information,
- US Census
- Bureau of Labor Statistics
- Children's Council San Francisco<sup>6</sup>

##### Tuition:

For downtown San Francisco for 2014, the average annual costs for full time child care provided by centers were:

##### **2014 Average Annual Cost for Full Time Child Care, California & City of San Francisco**

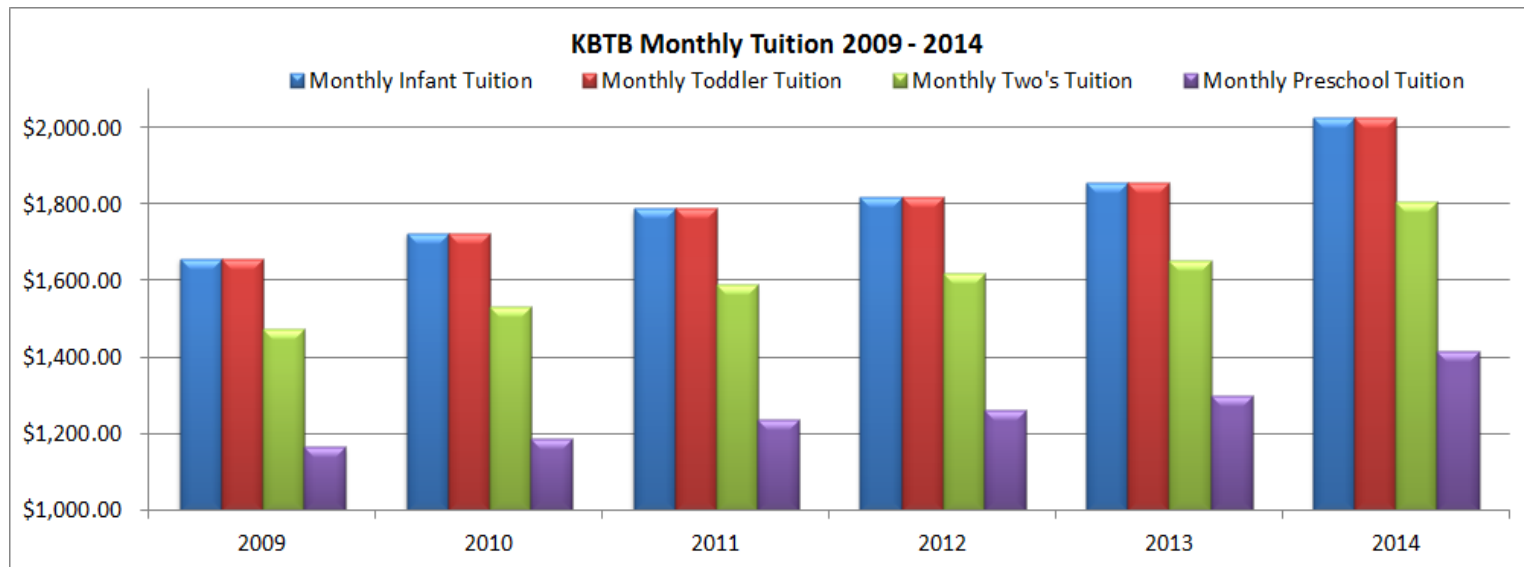
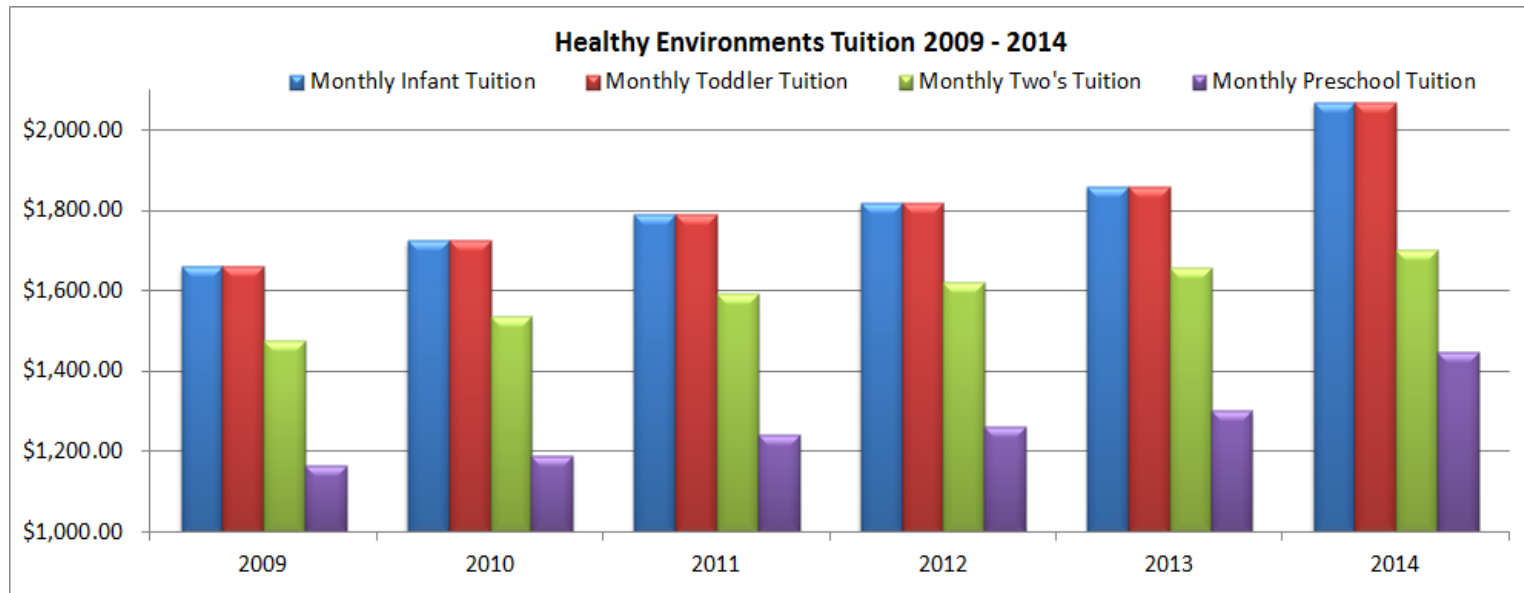
	Infant	4-Year-Old	School Age
San Francisco <sup>6</sup>	\$22,800	\$18,000	N/A
GSA program centers, City of San Francisco <sup>7</sup>	\$24,570	\$17,186 <sup>8</sup>	N/A

The following charts provide graphical representation of the monthly cost of tuition for child care from 2009 to 2014 at the two centers overseen by GSA in downtown San Francisco.

<sup>6</sup> Data provided by Children's Council San Francisco

<sup>7</sup> Data reflects the average annual tuition by age-group for Healthy Horizons and Kids By The Bay for 2013.

<sup>8</sup> Data from GSA Region 9 Child Care Program for Pre-school tuition category for 2013



### Affordability:

It is a well-documented fact that affordability of center-based child care is an issue of concern for all families with child care needs, including Federal Government employees. Child care is a labor intensive industry for high quality National Association for the Education of Young Children (NAEYC) accredited child care programs such as the one overseen by GSA. To be NAEYC accredited, GSA centers meet standards

with a lower number of children per teacher, higher levels of teacher education, developmentally appropriate curricula, assessment and discipline, and family and community engagement.

CCA's publication 2014 Parents and the High Cost of Care Report cites the State of California as one of the least affordable state in the nation for center-based infant care in 2013.<sup>9</sup>

Based on data provided by the Bureau of Labor Statistics, the 2014 annual report prepared by CCA and tuition data for the two centers overseen by GSA in San Francisco, the effect of the cost of child care services was analyzed against the income of employees based in downtown San Francisco, GS pay scale Federal Government employees in particular (assumed Head of Household, one child).

For the purpose of this Feasibility Study, GSA Region 9 adopted the definition of Affordability as defined by Child Care Aware of America (CCA), which is:

Child Care Affordability is “... *the cost of care as a percentage of income.*”

For comparative purposes, the analyses that support the information presented in this Study are benchmarked against CCA's data for the State of California as well as Bureau of Labor Statistics data for people employed in San Francisco and Federal Government employees based in San Francisco. The 2014 CCA annual report states that **Cost of Care as a Percentage of Median Income for a Single Mother in the State of California in 2013 was 43.5% and as a Percentage of Median Income for a Married Couple in the State of California in 2013 was 13.8%.**

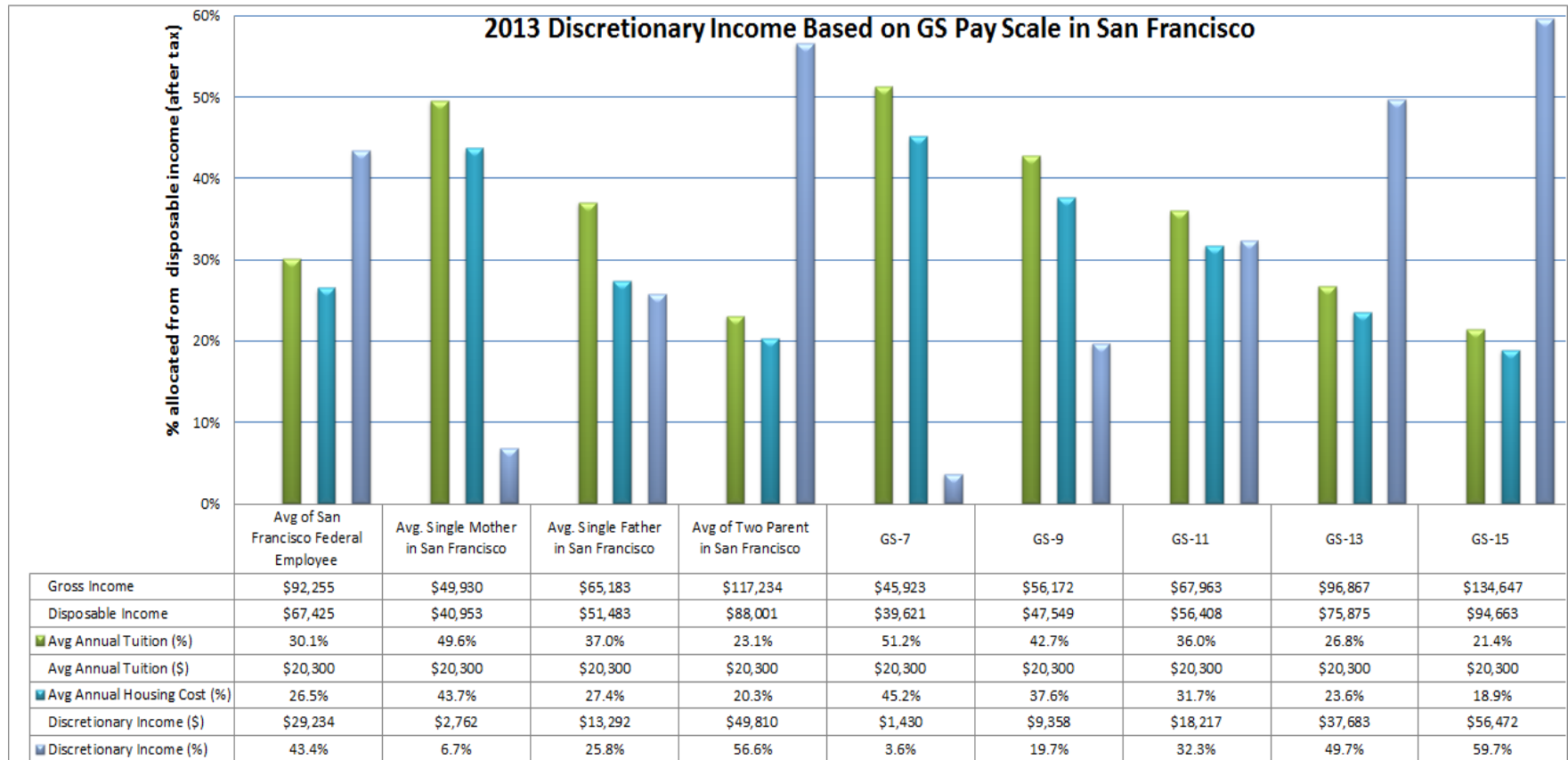
Following CCA's model, the following chart was developed and depicts the relationship between income and the two largest expenses incurred by Federal Government employees: the cost of housing and the cost of child care tuition.

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<sup>9</sup> Source: NACCRRRA's January 2014 survey of Child Care Resource and Referral State Networks.



## 2013 Discretionary Income Based on GS Pay Scale in San Francisco



### Definitions:

**Gross Income:** Annual Gross Income

**Disposable Income:** Annual Gross Income less Annual Tax Liability

**Discretionary Income:** Disposable Income less Annual Housing Costs and Annual Child Care Costs (this is the surplus income remaining for the year to cover all other annual expenses such as food, clothing, medical expenses, transportation, entertainment, and all other essential and non-essential expenses)

*Note for Housing Costs: U.S. Census housing cost data for San Francisco includes subsidized public housing and therefore may be artificially low for the purpose of this study.*

The results of this analysis reveal that a San Francisco-based Federal Government employee (Head of Household, one child) whose income is below the GS-13 level will have difficulty paying expenses beyond taxes, housing and child care tuition. The following summarizes by pay grade the resultant average monthly Discretionary Income that San Francisco-based Federal Government employees have to fund: food, clothing, medical expenses, transportation, entertainment, and all other essential and non-essential expenses.

**Federal Government Employees Monthly Discretionary Income  
After Taxes, Housing Expenses and Child Care Tuition (City of San Francisco, 2013)**

<b>Federal Government Employee Pay Grade</b>	<b>Monthly Discretionary Income</b>	
	<b>Discretionary Income \$/month</b>	<b>% of Disposable Income</b>
GS-7	\$119	3.6%
GS-9	\$780	19.7%
GS-11	\$1,518	32.3%
GS-13	\$3,140	49.7%
GS-15	\$4,706	59.7%

## IV. STUDY METHODOLOGY

### A. SURVEY EXECUTION

#### Survey Distribution:

GSA conducted a survey of Federal Government employees in downtown San Francisco with the intent of assessing near-term center-based child care needs. The survey was distributed to agency Points of Contact electronically on November 13, 2014 by the San Francisco Service Center field offices to agencies having Occupancy Agreements for space in downtown San Francisco. Some agencies, such as FBI and SSA declined the opportunity to electronically disseminate the survey to their employees. Paper copies of the survey notice, with instructions for accessing and responding to the survey were placed conspicuously in federal building lobbies. The original deadline for submitting the survey was November 21, 2014, and extended twice, ultimately to December 3, 2014 to enable more time for employees to reply who received the paper rather than electronic survey notice. The distribution of paper surveys had some positive results as some responses, although limited, were received from FBI employees.

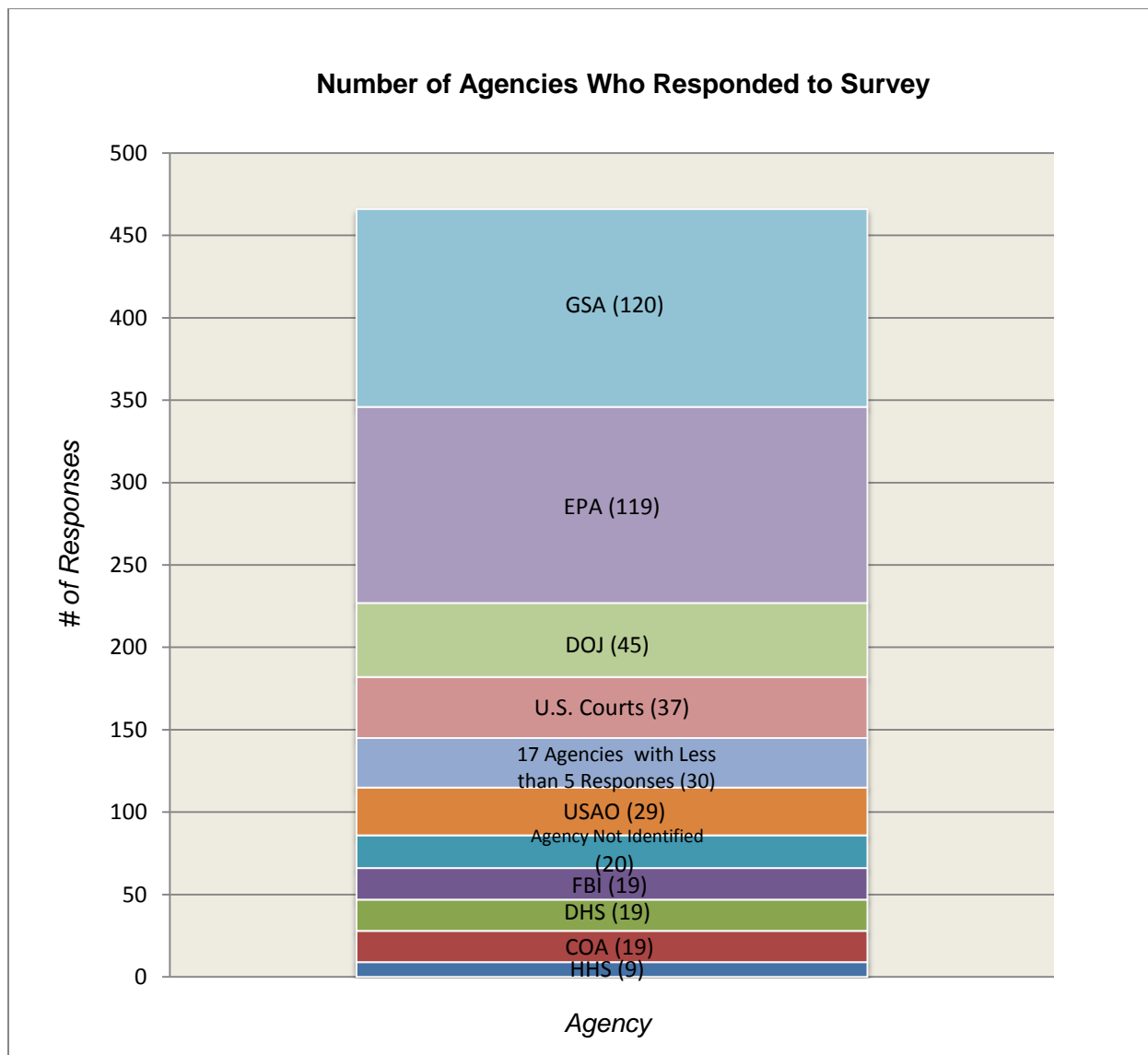
#### Survey Questions:

The survey questions were developed in accordance with the survey/feasibility guidelines set forth in GSA's handbook, "Starting A Child Development Center". The desired information gathered was intended to address:

1. The expected population
2. Age groups needing care
3. Desired hours of operation
4. Types of services desired
5. Desired location
6. Tuition issues

#### Survey Response Rate:

466 responses from 26 Federal Government Agencies were received. GSA, EPA and DOJ employees accounted for 61% of the responses and represent at least 9 different San Francisco Federal office locations. Location participation is likely greater than 9 as some respondents did not provide work addresses.



**Sufficiency of Response Rate:**

The response rate of the Child Care survey was compared to that of the 2014 Region 9 Tenant Satisfaction Survey (TSS). Although the distribution methods were different, the target audience was the same: approximately 8,000 employees. The 2014 Region 9 TSS, which addressed a topic common to all employees – tenant satisfaction – received 1,280 responses. The Child Care survey, whose topic is narrow and important to only a portion of all employees – child care needs – received 466 responses or approximately 36% of the TSS results. The trends in responses to the Child Care survey questions are defined, conclusions can be drawn and consequently the response rate is considered statistically acceptable.

## B. SURVEY RESULTS

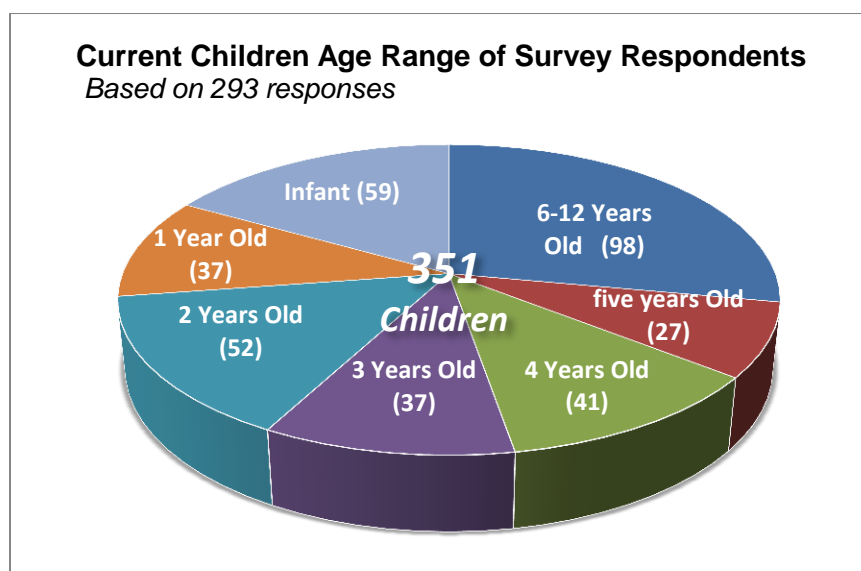
### Child Population:

The survey results reveal that there is a population of 351 children under the age of 12 years within the community of respondents. The top three age categories include:

6-12 years old<sup>10</sup> – 28%

Infants – 17%

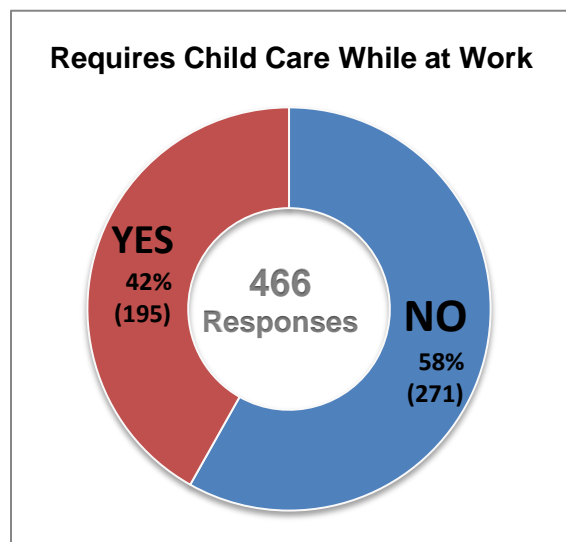
2 years old – 15%.



### Current Child Care Demand:

Of the 466 responses received, 42% of the respondents (195 people) stated they need child care while at work.

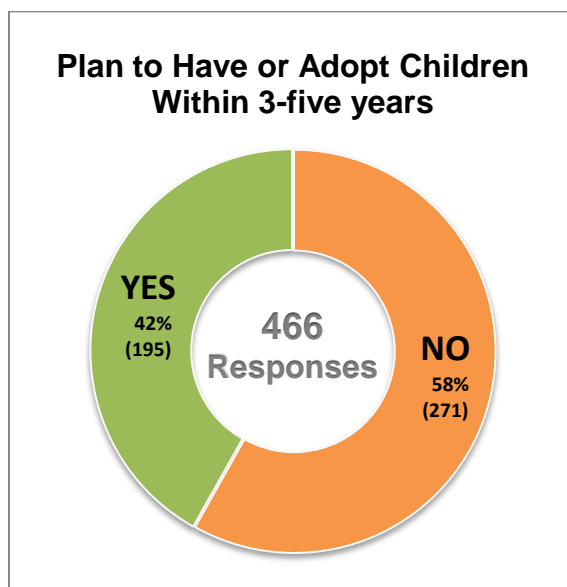
Of those respondents, 23 currently utilize the two Federal child care facilities in San Francisco (13 at Healthy Environments, 10 at Kids By the Bay).



<sup>10</sup> Age group not serviced by GSA child care program centers

### Future Child Care Demand:

Within the next three to five years, 195 respondents (42%) of the total responses stated that they plan to have or adopt a child.

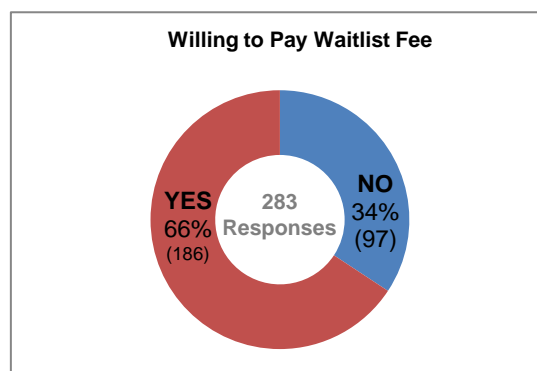


### Cost:

Of 283 responses, 186 people stated that they would be willing to pay a wait list fee to hold a child care spot.

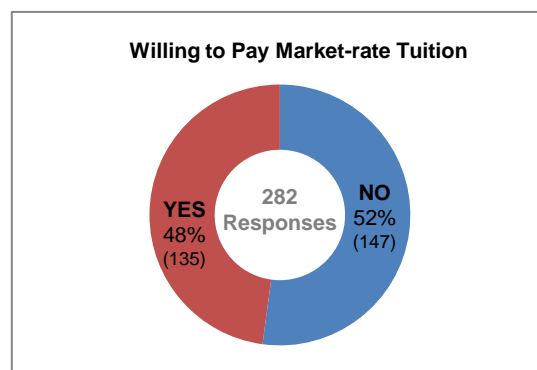
Below is a breakdown of the costs people would be willing to incur to reserve a child care spot:

- 124 stated they would pay up to \$100
- 39 stated they would pay up to \$200
- 28 stated they would pay up to \$300
- 4 stated they would pay up to \$500
- 3 stated they would pay up to \$1000
- 3 N/A



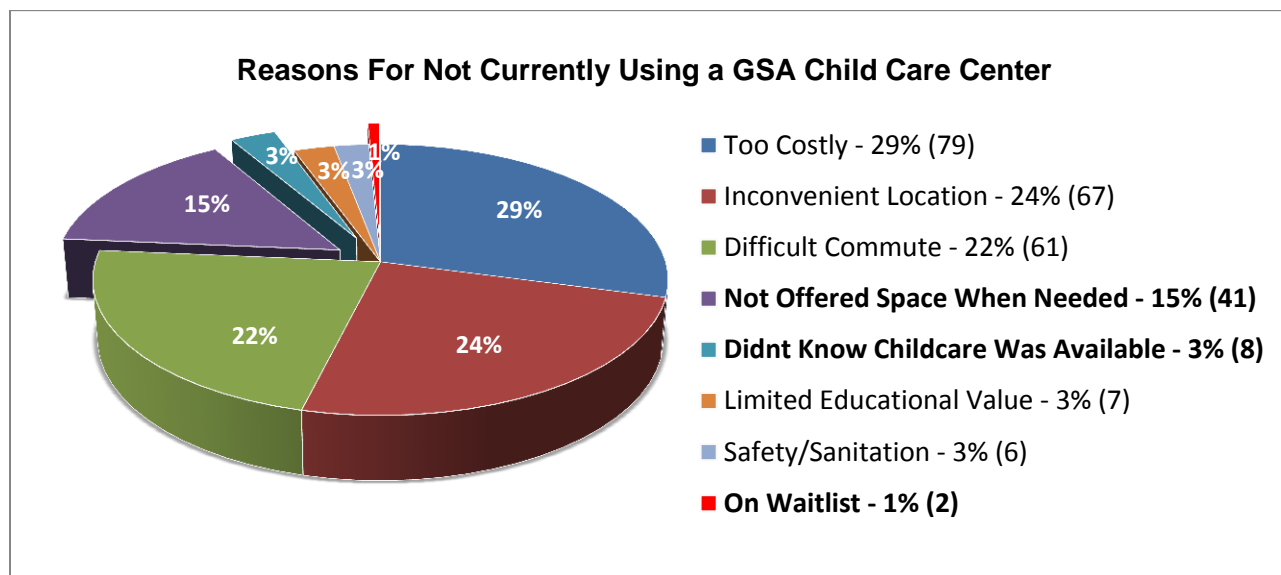
Of 282 responses, 135 people stated they would be willing to pay market rate for monthly child care tuition. Market rate was described as being:

- \$1900-\$2200 for full time infant/toddler care
- \$1205-\$1451 for part time infant/toddler care
- \$1500-\$1800 for full time preschool/pre-k care
- \$896-\$1022 for part time preschool/pre-k care



### Qualifiers:

The survey responses provided numerous qualifiers that provide insight into the need for center-based child care as well as insight into why some respondents don't use the existing centers, despite having a need. A breakdown of the qualifiers received is as follows:



### Positive Qualifiers:

Respondents offered the following information that serve as evidence of a need for center-based child care services:

#### **1) Have a Need but Not Offered a Space When Required**

- 15% of total reasons
- 41 respondents listed this reason along with other reasons
- 17 of the 41 respondents listed this as the sole reason they currently do not have children enrolled in a either of the two Federal child care centers

#### **2) Have a Need but Didn't Know Childcare Services Were Available**

- 3% of total reasons
- 8 respondents listed this reason along with other reasons
- 6 of the 8 respondents listed this as the sole reason they currently do not have children enrolled in a either of the two Federal child care centers

#### **3) Have a Need and Currently on Waitlist**

- 1% of total reasons
- 2 respondents listed this as the sole reason they currently do not have children enrolled in a either of the two Federal child care centers

Negative Qualifiers:

Respondents offered the following negative reasons as to why they do not currently utilize the two Federal child care centers:

- Too Costly – 29%
- Inconvenient Location – 25%
- Difficult Commute – 23%
- Limited Educational Value – 3%
- Safety/Sanitation – 3%



## V. REAL ESTATE OPTIONS

### A. FEDERAL GOVERNMENT OWNED INVENTORY IN SAN FRANCISCO

For the purpose of this study, an investigation was conducted of available space appropriate for housing a child care center that meets GSA program criteria. Region 9's controlled inventory was assessed and is summarized below; controlled inventory is defined as Federally-owned buildings. A brief overview of each option is identified below with the proviso that no studies on feasibility or economic viability have been conducted yet.

Building	Location	Comments
U.S. Customs House	555 Battery Street	Due to its layout, purpose, and limitations, this building is not considered a viable option for housing a childcare center.
Appraisers Building	630 Sansome Street	Due to its layout, purpose, and limitations, this building is not considered a viable option for housing a childcare center.
James R. Browning Building Court of Appeals Building	95 7TH Street	Due to its layout, purpose, and limitations, this building is not considered a viable option for housing a childcare center.
50 United Nations Plaza	50 United Nations Plaza	This building has sufficient space and a playground could be located in the courtyard. Cost and historic/artistic constraints render this building unsuitable for housing a childcare center.
New Federal Building	90 Seventh Street	An additional expansion of the existing child care center, following the one scheduled for completion in mid-2015, may be physically possible but at the expense of mission requirements of other tenants. Therefore, this building is not considered a viable option for housing a childcare center.
Phillip Burton Federal Building	450 Golden Gate Avenue	This building has the space and a playground could be located in the plaza. However, cost would be prohibitive, and therefore, this building is not considered a viable option for housing a childcare center.

### B. COMMERCIAL REAL ESTATE MARKET RESEARCH

Based on the Child Care Survey results and the demographics of Federal Government employees, the study area for real estate addressed the South of Market (SOMA), Financial District, and Downtown/Civic Center neighborhood groups of San Francisco, CA. Market research of commercial real estate was conducted to identify potential buildings within the delineated area that could satisfy the square footage and floor requirements. On January 26, 2015, the following procurement notice was posted to Federal Business Opportunities and closed on February 3, 2015.

State:	CA
City:	San Francisco
Delineated Area:	Within the South of Market, Financial District, and Downtown/Civic Center neighborhood groups in San Francisco, CA as bounded by: North: Bush/Kearny/Broadway East: San Francisco Bay South: 16 <sup>th</sup> /US 101 to Market West: Gough/Ellis/Van Ness/Bush
Minimum Sq. Ft. (ABOA):	3,000
Maximum Sq. Ft. (ABOA):	7,000
Space Type:	Child Care Center
Parking Spaces:	0
Full Term:	eight years
Firm Term:	five years
Additional Requirements:	<ul style="list-style-type: none"> <li>• Offered space must be contiguous on ground level with a maximum of 6 levels above ground level</li> <li>• Outside play yard is required for offered space that is not within 2 blocks of a park</li> <li>• Some natural light required</li> </ul>

Concurrently, research of commercial real estate information was conducted in the electronic databases of CoStar Realty Information, Inc.; e-mail notifications of the Government's need for space were issued.

## C. MARKET RESPONSE

No Expressions of Interest were received from the public advertisement on Federal Business Opportunities but one was received as a result of the database search: a representative of the building at 590 Van Ness Avenue, San Francisco responded. The property has frontage on both Van Ness Avenue and Golden Gate Avenue, and includes 8,091 Rentable Square Feet of space on the ground level. It was built in 1908 and was formerly a restaurant. The property does not have available on-site outdoor space for a playground but is located within 2 blocks of a park at the Civic Center Plaza and is within the delineated area; characteristics of the neighborhoods through which the children would walk between the site and the park could be considered problematic and render this site impractical.

## D. EXISTING LEASE OPTIONS

75 Hawthorne Street, a building which currently houses some Federal Government Agency and whose lease is managed by GSA, is adjacent to 95 Hawthorne Street where the existing Healthy Environments center is located. GSA is in the process of finalizing lease negotiations for the relocation of Federal Government Agencies from 95 to 75 Hawthorne Street, including EPA. The site has available space appropriate for housing a childcare center and an existing playground in close proximity (the existing playground currently used by HE, next door) and therefore is a viable option.

## **VI. CONSTRUCTION COST**

In 2012, the GSA/PBS's National Child Care Program Architect conducted a cost analysis for a generic child care center assuming City of San Francisco construction costs. Using this information and projecting costs to 2017 (the proposed construction year of a new center), a center sized at approximately 5,000 sf was considered for cost analysis; the size was established assuming the average historic enrollment at HE of Federal Government employee dependent (25 - 30 children). Inflating the 2012 data to 2017 (assumed construction year), it is estimated that a 5,000 sf center would cost in the range of \$2.5 million - \$2.8 million. Therefore, it is assumed that a second center could be constructed within the parameters of GSA's Repair and Alterations Program.

## **VII. CONCLUSIONS AND FOLLOW-ON ACTIONS**

### **A. CONCLUSIONS**

The results of the Child Care Needs Survey and other research conducted as part of this study present the following conclusions:

1. There is a Federal Government employee market for center-based child care in downtown San Francisco
2. Logistics and commuting are a concern and constraint for many Federal Government employees
3. Cost of services is a concern and a constraint for many Federal Government employees
4. The cost of center-based child care in downtown San Francisco, including those of GSA program centers, is among the highest in the country
5. Single income Federal Government employees below GS-13 level have little to no disposable income remaining after paying housing costs and tuition for San Francisco-based child care services
6. Historical average enrollment at HE of dependents of Federal Government employees, 25 - 30 children, suggests a second center with a capacity of 50 - 60 Full-time Equivalent children may be viable.

### **B. FOLLOW-ON ACTIONS**

1. Evaluate Federal Government Agency support of a second center in downtown San Francisco; engage the Federal Executive Board (FEB)
2. Evaluate the additional cost that will be applied to rent per agency if the Community Joint Use model is expanded to include a second center
3. Develop and execute a plan to construct a childcare center at 75 Hawthorne St. in accordance with GSA's "Child Development Center Startup Guide"
4. Region 9: establish a more rigorous oversight process of and more rigorous engagement with center Boards and providers